

HOUGHTON LAKE AMBULANCE SERVICE

HOUGHTON LAKE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Houghton Lake Ambulance Service	County Roscommon
Audit Date 3/31/04	Opinion Date 6/14/04	Date Accountant Report Submitted to State: 7/26/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government promulgated by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)

Keskine, Cook, Miller, Smith & Alexander LLP

Street Address

100 West First Street

City

Gaylord

State

MI

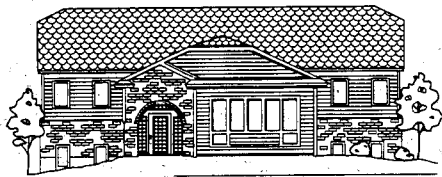
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Accountant Signature

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Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

June 14, 2004

Members of the Board
Houghton Lake Ambulance Service
Houghton Lake, MI

We have audited the accompanying financial statements of the governmental activities and the major fund information of Houghton Lake Ambulance Service, Roscommon County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Service's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Service's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Houghton Lake Ambulance Service, Roscommon County, Michigan as of March 31, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Service has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of March 31, 2004.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on page 20 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Keskin, Cook, Miller, Smith & Alexander, LLP
Certified Public Accountants

HOUGHTON LAKE AMBULANCE AUTHORITY
PO BOX 746
HOUGHTON LAKE, MI 48629

**HOUGHTON LAKE AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED MARCH 31, 2004**

This section of Houghton Lake Ambulance Service's annual financial report presents our discussion and analysis of the Service's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2004 totaled approximately \$243,000. Of this total, approximately \$158,000 represents capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$515,000, all classified as program revenues. Overall expenses for the Service's governmental activities approximated \$550,000.

The Service incurred no new debt during the year. The Service purchased approximately \$3,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Service.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status.

The remaining statements are fund financial statements, which focus on the Service in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Service as a whole using accounting methods used by private companies. The statement of net assets includes all of the Service's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Service's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Service's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Service, you may also have to consider additional factors such as contribution levels, number of ambulance runs, and collectibility of receivables.

The Service is involved in one activity only – ambulance services – which is primarily supported by contributions from the participating Townships and is therefore reported as a governmental activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Service's operating fund. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Service has the following fund:

Ambulance Operating Fund – This fund records all of the financial activity of the Service.

FINANCIAL ANALYSIS OF THE SERVICE AS A WHOLE

Net Assets: The Service's net assets decreased approximately \$34,000 during the year to total \$215,565. The decrease in net assets is due to a decrease in ambulance collections revenue and also an increase in payroll during the year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Additions to Service assets for this year include a new cot (\$2,755). The Service also disposed of a fully depreciated ambulance with an original historical cost of \$54,044.

Long Term Debt:

The Service retired \$10,552 of principal on its note payable. Interest expense totaled \$2,489.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Houghton Lake Ambulance Service has re-organized as an Authority, effective April 1, 2004. The Authority will be named Houghton Lake Ambulance Authority (d.b.a. Houghton Lake EMS). The Authority will have the power to levy its own taxes and will operate under its own board, consisting of five members. Roscommon and Lake Township will each appoint two board members. The finance offices of the Authority have been moved from the Ambulance Building to the Roscommon Township Hall.

Roscommon Township purchased an ambulance in the current fiscal year and then deeded it over to the Houghton Lake Ambulance Service in May 2004. The cost of the Ambulance was \$108,955.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Service's finances and to demonstrate the Service's accountability for the revenues it receives. If you have any questions concerning this report, please contact Ms. Diane Randall, Roscommon Township Supervisor at 8555 Knapp Road, P.O. Box 610 Houghton Lake, MI 48629, or by calling (989)422-4093 during the hours of 8:30 AM to 4:00 PM.


Ms. Diane Randall, Township Supervisor

**HOUGHTON LAKE AMBULANCE SERVICE
STATEMENT OF NET ASSETS
MARCH 31, 2004**

ASSETS

Current Assets:

Cash	\$ 37,700
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$35,639)	45,000
Inventories	2,500

Total Current Assets	85,200
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Non-Current Assets:

Capital Assets	200,041
Accumulated Depreciation	(42,190)

Total Non-Current Assets	157,851
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Total Assets	243,051
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LIABILITIES

Current Liabilities:

Current Portion of Long-Term Debt	13,154
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Long-Term Debt:

Note Payable	14,332
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Total Liabilities	27,486
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	130,365
Unrestricted Net Assets	85,200

Total Net Assets	\$ 215,565
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See Accompanying Notes to Financial Statements

HOUGHTON LAKE AMBULANCE SERVICE
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004

GOVERNMENTAL ACTIVITIES
 Ambulance Service

EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	TOTAL
\$ (551,426)	\$ 509,622	\$ 7,353	\$ -	\$ (34,451)
Change in Net Assets				
Net Assets - April 1				
(34,451)				
Net Assets - March 31				
250,016				
\$ 215,565				

See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE SERVICE
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2004**

ASSETS

Cash	\$ 37,700
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$35,639)	45,000
Inventories	2,500
	<hr/>
Total Assets	85,200
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FUND EQUITY

Fund Balance, Undesignated, Unreserved	82,700
Reserved	2,500
	<hr/>
Total Fund Balance	\$ 85,200
	<hr/> <hr/>

See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE SERVICE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 8)	\$ 85,200
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Amounts reported for governmental activities in the Statement of
Net Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not recorded in the funds	157,851
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(27,486)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF ACTIVITIES - PAGE 6)	\$ 215,565
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See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2004**

REVENUES

Contributions from Roscommon Twp	\$ 125,370
Contributions from Lake Twp	107,242
Service Collections	276,897
Donations	7,353
Refunds and Reimbursements	113
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Total Revenues	516,975
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EXPENDITURES

Ambulance Wages	316,620
Office Wages	36,100
Fringe Benefits	110,871
Office Supplies	3,027
Custodial Supplies	1,040
Clothing	1,866
Operating Supplies	7,559
Snowplowing and Lawn Care	635
Equipment Maintenance	14,307
Audit/Legal	2,400
Telephone	3,560
Education and Training	4,291
Travel	1,127
Postage	507
Utilities	11,342
Rent	7,200
Ambulance Payment	10,522
Interest	2,489
Insurance	8,792
Reimbursements	866
Miscellaneous	3,960
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Total Expenditures	549,081
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Excess (Deficiency) of Revenues over Expenditures	(32,106)
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Fund Balance - April 1	117,306
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Fund Balance - March 31	\$ 85,200
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See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE SERVICE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND (PAGE 10)	\$	(32,106)
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Amounts reported for governmental activities in the Statement of Activities (page 7) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives		2,756
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements		(15,653)
Governmental funds do not record long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide statements, long-term debt is recorded and debt service payments are applied against the outstanding balances		10,552

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES - PER STATEMENT OF ACTIVITIES (PAGE 9)	\$	(34,451)
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See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Ambulance Service was created in September, 1989, by the Townships of Lake and Roscommon, Roscommon County, as a joint venture for the purpose of operating, maintaining, administering and managing an ambulance service. This service was created to benefit the named townships and any other township or municipality which hereafter joins in and becomes a part of such service and the related agreement, all for the betterment of the health, safety, economy and general welfare of the participating municipalities.

The financial oversight unit for the Service is Roscommon Township; accordingly, the activities of the Service are recorded as a governmental fund in the Roscommon Township financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Service are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures, of the Service's financial activities.

The accounting policies of the Service conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Service adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Service's financial statements has shifted from a fund focus to a government-wide focus.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT
PRESENTATION**

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Service as a whole.

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Service has one fund and one functional activity – ambulance services. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Service's activities; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not classified as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the Service's governmental fund.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPE AND MAJOR FUND

Governmental Fund

The Service reports the following major governmental fund:

Ambulance Operating Fund - This fund is used to account for all financial transactions of the Service. The primary source of revenue is from Township contributions and ambulance patient collections.

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Service are prepared in accordance with generally accepted accounting principles (GAAP). The Service's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Service's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Service considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for debt service principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: Township contributions and ambulance patient collections. In general, other revenues are recognized when cash is received.

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

An operating budget is prepared by the Service annually and presented to the member townships for adoption. The budget is adopted prior to April 1, on the modified accrual basis and is amended at regular intervals throughout the year. The budget has been presented in the financial statements at its amended totals. The budget was adopted on a fund total basis.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. No over expenditures were noted for the year ended March 31, 2004.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Service first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

CAPITAL ASSETS AND DEPRECIATION

The Service's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Service has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Service generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur, if:

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

4. significantly changes the character of the asset, or
5. otherwise, the cost should be expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

For information describing capital assets, see Note E.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE C: CASH

All cash is maintained in a financial institution in the Houghton Lake, Michigan area. All cash deposits are maintained in accounts approved by state statutes. Deposits are insured up to \$100,000 under FDIC. Cash deposits at March 31, 2004 are fully insured by the FDIC and are not collateralized.

NOTE D: ACCOUNTS RECEIVABLE

Accounts receivable from patients at March 31, 2004 is as follows:

	<u>ROSCOMMON</u>	<u>LAKE</u>	<u>TOTAL</u>
Accounts Receivable	\$ 65,353	\$ 15,286	\$ 80,639
Allowance for Doubtful			
Accounts	(30,353)	(5,286)	(35,639)
Net Accounts Receivable	<u>\$ 35,000</u>	<u>\$ 10,000</u>	<u>\$ 45,000</u>

Management has calculated the estimated the collectibility of accounts receivable to be at 56% of total receivables, based on historical collection averages.

NOTE E: CAPITAL ASSETS

The Service's capital assets are categorized as follows:

	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Data Handling Equip</u>	<u>Totals</u>
<i>Governmental Activities</i>				
Balance, April 1, 2003	\$ 205,795	\$ 33,419	\$ 12,116	\$ 251,330
Increases	-	2,755	-	2,755
Decreases	(54,044)	-	-	(54,044)
Balance, March 31, 2004	<u>151,751</u>	<u>36,174</u>	<u>12,116</u>	<u>200,041</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2003	70,546	9,346	689	80,581
Increases	10,117	3,342	2,194	15,653
Decreases	(54,044)	-	-	(54,044)
Balance, March 31, 2004	<u>26,619</u>	<u>12,688</u>	<u>2,883</u>	<u>42,190</u>
<i>Governmental Activities</i>				
Capital Assets, Net	<u>\$ 125,132</u>	<u>\$ 23,486</u>	<u>\$ 9,233</u>	<u>\$ 157,851</u>

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE F: LONG-TERM DEBT

The Service's long term notes payable are recorded in the government-wide financial statements. At March 31, 2004, the Service is indebted as follows:

The Houghton Lake Ambulance Service purchased an ambulance and refinanced a prior note with Bank One on October 26, 1999. The original principal of the note is \$72,000 and bears an interest rate of 5.08%. Monthly installments of \$1,183 began in April 1, 2000. The Ambulance Service made payments of \$10,552 in principal and \$2,489 in interest on this loan during the year. The annual principal and interest payments are due as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31,	2005	13,154	1,042	14,196
	2006	<u>14,332</u>	<u>629</u>	<u>14,961</u>
Total		<u>\$ 27,486</u>	<u>\$ 1,671</u>	<u>\$ 29,157</u>

The note is secured by the new Ambulance Chassis.

NOTE G: FUND BALANCE/NET ASSETS

CALCULATION OF BEGINNING NET ASSETS

The Service adopted GASB Statement No. 34 effective April 1, 2003. The following represents the reconciliation of the Service's fund balance as of April 1, 2003, to its beginning net assets balance, as presented in the statement of Activities, for the year ended March 31, 2004:

Total Fund Balance, Governmental Fund, April 1, 2003	\$ 117,306
Record capital assets	251,330
Record accumulated depreciation	(80,581)
Record long-term debt	<u>(38,039)</u>
Beginning Net Assets, Governmental Fund, April 1, 2003	<u>\$ 250,016</u>

RESERVED FUND BALANCE

The Service records a reserved fund balance equal to the amount of its inventory, \$2,500.

**HOUGHTON LAKE AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE H: LEASE AGREEMENT

The Service leases the building it occupies from Lake Township for \$600 per month. No leasing contract exists; therefore, the future minimum lease payments are undeterminable. The total lease expense for the year ended March 31, 2004 was \$7,200.

NOTE I: PENSION PLAN

The Ambulance Service participates in a defined contribution pension plan through the Manufacturers Life Insurance Company. Eligible plan participants include all full time employees. Participants are required to contribute 10% of eligible compensation to the plan. The Ambulance Service contributes 10% of the participants' eligible compensation to the plan. In addition to the required contributions, participants may make voluntary after tax contributions up to 10% of eligible compensation. The Ambulance Service made contributions of \$6,997 to the plan in the fiscal year ending March 31, 2004.

NOTE J: INSURANCE

Houghton Lake Ambulance Service is insured against potential losses generally as follows: Insurer - Michigan Township Participating Plan

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Property	50,000	\$100
Liability	4,000,000	-
Wrongful Acts	3,000,000	-
Automobile	2,000,000	\$100
Crime	10,000	-
Inland Marine	23,000	\$100

NOTE K: SUBSEQUENT EVENT

In May 2004, Roscommon Township donated a new ambulance to the Service. The original cost of the ambulance was \$108,955 and will be recorded as a capital asset of the Service in the next fiscal year.

Effective April 1, 2004, the Service has incorporated as an Authority and will be called the Houghton Lake Ambulance Authority (d.b.a. Houghton Lake EMS). The Authority will have the power to levy its own taxes within Lake and Roscommon Townships and will have its own five-member board.

**HOUGHTON LAKE AMBULANCE SERVICE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Ambulance Collections	\$ 324,231	\$ 330,584	\$ 276,897	\$ (53,687)
Contributions from Townships	232,612	232,612	232,612	-
Donations	-	-	7,353	7,353
Other	-	-	113	113
Total Revenues	556,843	563,196	516,975	(46,221)
EXPENDITURES				
Wages and Fringe Benefits	461,318	469,925	463,591	6,334
Supplies and Repairs	25,700	28,455	28,434	21
Debt Service	14,195	14,195	13,011	1,184
Professional Services	3,000	3,000	2,400	600
Telephone	3,500	3,500	3,560	(60)
Education and Training	4,000	4,000	4,291	(291)
Travel	1,000	1,000	1,127	(127)
Postage	550	550	507	43
Insurance	9,500	9,500	8,792	708
Fuel	7,000	7,000	5,560	1,440
Utilities	6,644	6,644	5,782	862
Rent	7,200	7,200	7,200	-
Miscellaneous	13,236	8,227	4,826	3,401
Total Expenditures	556,843	563,196	549,081	14,115
Excess (Deficiency) of Revenues over Expenditures	-	-	(32,106)	(32,106)
Fund Balance - April 1	117,306	117,306	117,306	-
Fund Balance - March 31	\$ 117,306	\$ 117,306	\$ 85,200	\$ (32,106)